

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02
USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 EB-08 INR-07
LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CEA-01
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R 091624Z MAR 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 3209
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LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 2264

E.O. 11652: N/A
TAGS: EAGR, UNCTAD, EEC
SUBJECT: EC COMMISSION PROPOSES COMMON EC POSITION FOR UNCTAD
NEGOTIATIONS OF A NEW INTERNATIONAL SUGAR AGREEMENT

REF: (A) 76 LONDON 16040, (B) 76 STATE 242862, (C) 76 EC BRUSSELS
9347

1. SUMMARY: THE EC COMMISSION HAS ASKED THE EC COUNCIL
OF MINISTERS TO REACH A DECISION ON WHETHER THE COM-
MUNITY OAS A GROUP SHOULD TAKE PART IN THE APRIL 18-
MAY 27 UNCTAD NEGOTIATIONS ON A NEW INTERNATIONAL SUGAR
AGREEMENT (ISA). THE COMMISSION PROPOSES A NEGOTIATING
POSITION IN WHICH THE EC WOULD SEEK A SPECIAL STATUS.
IT WOULD ACCEPT NO EXPORT QUOTA OBLIGATIONS BUT WOULD
BE PREPARED TO CONTRIBUTE TO STABILIZING THE SUGAR MARKET
BY ESTABLISHING COORDINATED NATIONAL STOCKPILING POLICIES,
INCLUDING THE EC STOCKPILE. COMMISSION OFFICIALS DOUBT THAT EC
COUNCIL WILL BE TO
AGREE ON THIS PROPOSAL BEFORE UNCTAD NEGOTIATIONS BEGIN.
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END SUMMARY.

2. BEGIN UNCLASSIFIED. THE COMMISSION SENT A
DETAILED COMMUNICATION TO THE EC COUNCIL ON MARCH 3,
1977, PROPOSING THAT THE COMMUNITY PARTICIPATE IN
THE FORTHCOMING UNCTAD NEGOTIATIONS OF A NEW ISA.
(THE MISSION IS SENDING THE FULL TEXT OF THE COM-

MUNICATION BY AIRGRAM.) THIS PROPOSAL IS SIMILAR TO THE COMMISSION'S INFORMAL EARLIER PROPOSAL THAT ALL ISA MEMBERS BE ASSIGNED A SPECIFIC PERCENTAGE SHARE OF RESPONSIBILITY FOR HOLDING STOCKS IN TIME OF SURPLUS. (SEE REF A.) IT IS NOW SEEKING A COUNCIL MANDATE TO NEGOTIATE ON THE BASIS OF THIS POSITION. THE COMMISSION PROPOSES THE FOLLOWING NEGOTIATING POSITION.

3. BEGIN TEXT.

AIM - THE AGREEMTN SHOULD CONSTITUTE A FRAMEWORK FOR MULTILATERAL COOPERATION TO ENSURE THE EXPANSION OF TRADE ON A STABLE WORLD MARKET. THE PURPOSE OF THE AGREEMENT WOULD BE TO:

- A. ACHIEVE PRICE STABILIZATION;
- B. ENSURE THE CONTINUITY OF SUPPLIES TO IMPORTERS AND OF OUTLETS FOR EXPORTERS; AND
- C. TAKE DUE ACCOUNT OF THE INTERESTS OF DEVELOPING COUNTRIES.

IN ORDER TO BE COMPLETELY EFFECTIVE THE AGREEMENT SHOULD INVOLVE THE MAJOR PRODUCING AND CONSUMING COUNTRIES. IF THE AGREEMTN IS CONCLUDED BEFORE THE CONCLUSION OF THE GATT MULTILATERAL NEGOTIATIONS THE NET BALANCE OF ADVANTAGES AND OBLIGATIONS ARISING OUT LIMITED OFFICIAL USE

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OF IT SHALL BE TAKEN INTO ACCOUNT IN THE FINAL BALANCE TO BE STRUCK IN CONNECTION WITH THE GATT NEGOTIATIONS.

4. MECHANISMS - MARKET STABILIZATION SHOULD BE SOUGHT THROUGH THE INTRODUCTION OF A MINIMUM AND MAXIMUM SAFEGUARD PRICE PROVISION INCLUDING OBLIGATIONS LINKED TO EXTREME PRICE SITUATIONS.

A. A MINIMUM AND A MAXIMUM PRICE WOULD BE FIXED IN THE AGREEMENT DEFINING A PRICE BRACKET WITHIN WHICH OPERATIONS WOULD NORMALLY TAKE PLACE. THESE PRICES, WHICH WOULD BE FIXED FOR A GIVEN PERIOD, WOULD BE SUBJECT TO REVIEW IN THE LIGHT OF LONG-TERM MARKET TRENDS.

B. IF MARKET PRICES FALL TO THE FIXED MINIMUM OF THE BRACKET, THE IMPORTING COUNTRIES WOULD BE OBLIGED TO OBTAIN THEIR SUPPLIES FROM EXPORTING MEMBER COUNTRIES, WHICH IN TURN WOULD BE OBLIGED TO RESPECT THIS MINIMUM PRICE AND REFRAIN FROM SELLING ON MORE FAVORABLE TERMS

TO NON-MEMBER COUNTRIES.

C. IF MARKET PRICES REACHED OR EXCEEDED THE LEVEL OF THE MAXIMUM PRICE OF THE BRACKET, EXPORTING COUNTRIES WOULD UNDERTAKE TO GIVE PRIORITY TO SUPPLYING IMPORTING COUNTRIES WHICH WERE PARTY TO THE AGREEMENT WITH THE QUANTITIES TRADITIONALLY IMPORTED BY THEM AT THE MAXIMUM PRICE LEVEL.

D. THE COMMUNITY WOULD ACCEPT NO EXPORT QUOTA OBLIGATIONS. IT WOULD, HOWEVER, BE PREPARED TO NEGOTIATE A COMMITMENT TO CONTRIBUTE TO THE STABILIZATION OF THE WORLD SUGAR MARKET, THROUGH MECHANISMS COMPATIBLE WITH ITS OWN MARKET ORGANIZATION, PARALLEL TO THE COMMITMENTS ACCEPTED BY OTHER EXPORTERS. IN ORDER TO ACHIEVE GREATER MARKET STABILITY, NATIONAL STOCKS SHOULD BE SETUP AND MANAGED ON THE BASIS OF RULERS LAID DOWN IN THE LIMITED OFFICIAL USE

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AGREEMENT. THESE RULES SHOULD THEREFORE DEFINE THE MINIMUM AND MAXIMUM AMOUNTS WHICH THE BODY COULD STOCKPILE IN ORDER TO MEET THE OBJECTIVES OF THE AGREEMENT. THEY SHOULD ALSO DETERMINE THE ALLOCATION OF THESE STOCKS.

E. FOR THE PURPOSE OF CALCULATING THE NUMBER OF VOTES TO WHICH THE COMMUNITY WOULD BE ENTITLED IN THE COLLEGE OF EXPORTERS UNDER THE ADMINISTRATIVE PROVISIONS OF THE AGREEMENT, ALL ITS EXPORTS WOULD BE TAKEN INTO ACCOUNT, INCLUDING THESE EXPORTS CORRESPONDING TO THE QUANTITY OF IMPORTS INTO THE COMMUNITY UNDER PROTOCOL NO. 3 OF THE LOME CONVENTION AND PARALLEL SPECIAL ARRANGEMENTS.

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F. A SPECIFIC PROVISION TO ENABLE THE COMMUNITY AS SUCH
TO BECOME A PARTY TO THE AGREEMENT WOULD ALSO BE REQUIRED.

5. FUNCTIONING OF ISA - THE FUNCTIONING OF THE
MECHANISMS DESCRIBED ABOVE IMPLIES THAT A BODY
RESPONSIBLE FOR THE CONTINUOUS SURVEILLANCE OF
THE MARKET SITUATION SHOULD BE SET UP UNDER THE
AGREEMENT TO WORK, WHERE NECESSARY, WITH INTER-
NATIONAL ORGANIZATION. END TEXT.

6. THE COMMISSION ALSO SUGGESTS THAT THE EC SHOULD
BE CONSIDERED SOLELY AS AN EXPORTER AND ITS PREFER-
ENTIAL SUGAR IMPORTS FROM THE LOME CONVENTION COUNTRIES
SHOULD BE EXCLUDED FROM THE ISA. IT ARGUES THAT THIS
SPECIAL STATUS WOULD BE SIMILAR TO THE ONE GRANTED
THE USSR WHEN THE ISO AGREED TO EXCLUDE SOVIET SUGAR IMPORTS
FROM CUBA.

7. BEGIN LIMITED OFFICIAL USE - COMMISSION OFFICIALS
SAY THAT THE EC COUNCIL ARTICLE 113 COMMITTEE WILL
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TAKE UP THIS PROPOSAL. COMMISSION OFFICIALS DOUBT
THAT THERE IS SUFFICIENT TIME FOR THE MEMBER STATES
TO CONSIDER THIS COMPLEX PROPOSAL AND REACH AN AGREED
POSITION BEFORE THE UNCTAD NEGOTIATIONS. NEVERTHELESS,
THEY HOPE THAT THE APRIL 5 EC FOREIGN MINISTERS COUNCIL
WILL DISCUSS THE SUBSTANCE OF THE EC POSITION, EVEN IF
AN AGREEMENT CANNOT BE REACHED.

8. COMMENT: THE COMMISSION FINDS ITSELF IN AN AWKWARD
POSITION. IT DOES NOT FAVOR EXPORT QUOTAS BECAUSE THESE
MAY INTERFERE WITH EC NEEDS TO EXPORT SUGAR AS A RESULT OF ITS
INTERNAL MARKET ORGANIZATION AND EC COMMITMENTS TO IMPORT
ACP SUGAR. ON THE OTHER HAND, IT
DOES NOT WANT TO OPPOSE AN ISA BECAUSE OF ITS GENERAL
SUPPORT FOR INTERNATIONAL COMMODITY AGREEMENTS AND ITS

CONCERN THAT EXCLUSION FROM THE ISA MIGHT RESTRICT ITS
ABILITY TO EXPORT ITS SUGAR. THE COMMISSION, CONSEQUENTLY,
WANTS TO OPT OUT OF ISA EXPORT QUOTAS BUT PARTICIPATE
IN INTERNATIONALLY COORDINATED NATIONAL STOCKS. PERMDEL
OFFICIALS HAVE NOT YET HAD A CHANCE TO STUDY AND REACT
TO THIS PROPOSAL. THE MISSION WILL SEEK THEIR REACTIONS
AT THE APPROPRIATE TIME. WE WOULD CONCUR, HOWEVER, WITH
COMMISSION OFFICIALS' ASSESSMENT THAT THE COUNCIL IS
NOT LIKELY TO ADOPT THIS PROPOSAL IN TIME FOR THE FORTH
COMING ISA NEGOTIATIONS. END COMMENT. HINTON

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